

H-3100-1 - OIL AND GAS LEASING

-A-

abandonment: an act disclaiming further interest in rights to an oil and gas lease. This must be provable under strict rules of evidence and cannot be presumed since a question of individual intent is involved. Abandonment also is plugging a well, removal of installations, and termination of operations for production from the well. Conclusively abandoned unpatented oil placer mining claims are subject to conversion into a noncompetitive oil and gas lease pursuant to the Federal Oil and Gas Royalty Management Act of 1982 (30 U.S.C. 188(f)).

accountable acreage: the total or proportional interest in a Federal oil and gas lease determines the party's total or proportional part of the total lease acreage. See 43 CFR 3101.2 for the acreage limitations and the procedures for instances of excessive accountable acres. Same as "chargeable acreage."

Accounting Advice: Form 1370-41 for control and disposition of money and for input into automated data processing (ADP) systems and the Bonus and Rental Accounting Support System (BRASS). An Accounting Advice is completed when action on a case is complete, or when case status changes occur affecting account, that is, a lease is issued, rejected, or rejected in part and no appeal is taken, or when the appeal has been finalized, or when an assignment is approved, or when a lease account is transferred to the Auditing and Financial System (AFS).

accretion: the addition of land to a fixed land base caused by the gradual change in water course or shoreline over a long period of time. Accretion usually involves a change in property rights. See reliction and avulsion.

acquired lands: lands which the United States obtained by deed through purchases, gift, or condemnation proceedings, including lands previously disposed of under the public land laws including the mining laws.

actual production: a Federal oil and gas lease is considered to be in an "actual production" status whenever it contains one or more wells drilled on a lease or agreement (communitization or unitization) basis which are producing oil and/or gas in paying quantities. A lease is also considered to be in "actual production" status whenever it contains one or more wells drilled on a lease or agreement basis which are capable of producing oil and/or gas in paying quantities even though production is not then occurring.

affirmed: the Interior Board of Land Appeals (IBLA) agrees totally or partially with a decision rendered by Bureau of Land Management (BLM) and/or an appeals court agrees with a lower court decision.

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agent: a person authorized to act for another person; one entrusted with another's business.

aliquot part: a subdivision of a section arrived at by dividing a section into halves and quarters (e.g., 1/2 section, 1/4 section, 1/4 1/4 section) down to 40 acres, unless the acreage is a lot which may be more or less than 40 acres.

allocated production: a Federal lease is considered to be in "allocated production" status when the circumstances for an "actual production" status are not satisfied, but the lease receives an allocation of production (royalty revenues) from a well(s) on other tracts pursuant to an approved agreement to which the lease is committed.

anniversary date: the same date each succeeding year as the effective date of a lease.

appeal: an act of initiating a review of a decision on public land rights to a higher authority, e.g., State Office decision to the IBLA.

applicant: a party submitting an application under the simultaneous leasing program is properly referred to as an applicant until such time as the successful drawee timely submits the executed lease offer form as completed by the appropriate State Office. With the timely submission of the executed lease offer and advance rental if for simultaneous filings made prior to August 1984, the applicant becomes the lease offeror.

application: a written request, petition, or offer to lease lands for the purpose of oil and gas exploration and/or the right of extraction. For the simultaneous leasing program, application refers to the filing made by an applicant for a simultaneous parcel on the computer application form.

assignee or transferee: one to whom an assignment is made.

assignment: the written transfer of all or a portion of the record title interest or other interests from the owner of transferable interests in a lease to another person(s).

- a. partial assignment - all of the assignor's record title interest to a portion of the land in a lease. A new lease case file is created with a new serial number.
- b. partial undivided interest assignment - a portion of the assignor's record title interest in a portion of the lands in a lease. A new lease case file is not created.

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- c. undivided interest assignment - a portion of the assignor's record title interest in all of the lands in a lease. A new lease case file is not created.

assignor, transferor, or grantor: one who transfers an interest to another party.

Authorized Officer: any employee of the BLM who has been delegated the authority to perform the duties set forth to maintain regulatory requirements.

avulsion: the sudden and perceptible change of a shoreline, due to the action of water or a sudden change in the bed or course of a stream. It is the general rule that avulsion affects no change in property lines. See accretion and reliction.

attorney-in-fact: an individual authorized by another to act in one's place or stead, by a power of attorney.

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base lands: in an in-lieu selection or exchange, the lands in which the applicant relinquishes rights as a basis of selection.

base lease: the lease from which a portion is segregated, either by partial assignment or unit segregation. A segregated lease may become a "base lease" upon further segregation.

bona fide purchaser: one whose interest in a Federal lease is protected from an adverse action contrary to one's interests by a timely good-faith purchase. A bona fide purchaser must have acquired the interest in good faith, for valuable consideration, and without notice of violation of Departmental regulations. This provision applies only before notice of cancellation has been received by the lessor and has become part of the BLM records. Assignees are deemed to have constructive knowledge of all of BLM records pertaining to the lease at the time of assignment. Proof of a bona fide purchase of the interest is required.

bond: an agreement in writing in which a surety, or an obligor for personal bond guarantees performance by the principal in the event of default in performance by the principal. See also nationwide, statewide, lessee, personal, exploration, operator, designated operator, and unit operator bonds.

bond rider: any document which amends and becomes a part of the bond.

bonus: a lump sum monetary consideration paid to the United States for the execution of a Federal lease by a successful bidder prior to issuance of a competitive oil and gas lease.

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cancellation: the revocation or nullification of a right to lease due to the lessee's noncompliance with the lease terms and conditions, laws, or regulations. Also, the revoking of a right to lease due to administrative error of the lessor.

casual use: activities that involve practices which do not ordinarily cause any appreciable disturbance or damage to the public lands, resources, or improvements. Casual use does not require a use authorization from the BLM.

categorical exclusion review: screening process to determine whether further environmental analysis is necessary or if the action is in a category which meets any of the nine exemptions of the National Environmental Policy Act of 1969 (NEPA), as set forth in 516 DM 2.3A(3). Mitigating measures can be considered as part of the screening process. Each categorical exclusion review must be documented by the decisionmaker and must specifically justify any stipulations developed as part of the review. Where other environmental documentation exists, such as an environmental assessment or environmental impact statement, area-wide or umbrella, a categorical exclusion review is not the process to be utilized.

cessation of production: the termination of production of oil and/or gas from a well. Where an oil and gas lease had permanently ceased to produce and no reworking or drilling operations have timely commenced, the lease terminates on the date of permanent cessation of production. There is a fine distinction between temporary and permanent cessation of production. In making this distinction, the pivotal question is whether under "normal" conditions, the well or leasehold was producing enough oil and/or gas to pay a profit over and above the cost of operating the well or leasehold.

chargeable acreage: see accountable acreage.

clearlist: an official clearance determination that lands are not within a known geological structure (KGS) or favorable petroleum geological province (FPGP), and thus can be leased noncompetitively.

committed in part: that portion of lands in a lease committed to a unit agreement that lie within the unit area boundary. See also lease.

communitization agreement: an agreement which allows the bringing together of leases sufficient for the granting of well permit(s) under applicable State spacing requirements. Communitization involves one or more specific geologic formations.

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compensatory royalty: a royalty paid in lieu of drilling a well which would otherwise be required under the terms and conditions of a lease to protect the lease from drainage. A compensatory royalty clause in a Federal oil and gas lease would provide for the payment of a royalty on oil or gas actually produced from other leased lands which result in the drainage of the Federal lands in the instant lease.

compensatory royalty agreement: an agreement accommodating royalty paid in lieu of drilling a well which would otherwise be required under the terms and conditions of a lease, where there is no lease.

competitive lease: a lease for lands within a KGS or FPGP which is awarded to the successful bidder at public sale for not less than fair market value. A single competitive lease cannot cover more than 640 acres in accordance with the Mineral Leasing Act of 1920, as amended, except in Alaska, where lands within a FPGP are divided into competitive leasing blocks of not more than 2,560 acres.

competitive sale: offering of oil and gas leases within a KGS, FPGP, surplus or drainage lands, by competitive bids of not less than fair market value; usually involving a minimum bonus bid per acre.

conflicting offer: where two or more offers cover all or part of the same lands, the first perfected offer becomes a lease, all else being regular.

contiguous lands and contiguous legal subdivisions: lands or legal subdivisions having a common boundary. Lands which simply have a common corner are not considered contiguous.

contraction: reduction of a unit area, usually to the participating area(s).

cooperative agreement: an agreement or plan of development and operation for the recovery of oil and gas in which separate ownership units are independently operated without allocation of production.

curable defect: a deficiency in an offer that can be corrected without loss of priority or infringement on rights of other offers.

-D-

decision: in relation to public land rights, a formally written determination signed by an Authorized Officer setting forth the disposition of a case.

default: the omission or the failure to perform a legal duty.

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designated operator: operator appointed by, employed by, or contracted by the lessee or the holder of operating rights to conduct operations on the lease or a portion thereof. The designated operator does not have a legal interest in the lease and may not obtain a share of the revenues. Designation of operator is filed with the authorized officer.

designated operator's bond: a designated operator is qualified to post the operator's bond for activities on a Federal oil and gas lease.

Designated Tar Sand Areas: see Special Tar Sand Areas.

designated unit area: an approved designated unit area classification creating a nonexclusive right in the applicant to submit a unit agreement for such area. This designated area may be included in another unit area. This classification is not noted on the land status records and is not to be confused with an approved unit agreement. See 43 CFR 3181.2.

development contract: a Federal contract designed to promote timely and full operations in areas where special development incentive and acreage-relief treatment is required if reserves are to be developed. Under such a contract, the holder is freed from the application of acreage limitation restrictions for a specified period of time conditioned on meeting certain diligence requirements as specified in the contract.

divided interest: see lease interest

drainage: migration of oil or gas in a reservoir due to a pressure reduction caused by production from wells bottomed in the reservoir may cause lands or minerals interests owned by the United States to be drained. To ensure that the United States, or the United States and its lessee, are compensated for such drainage, the Authorized Officer may execute agreements for compensation of the drainage with the owners of the adjacent lands where the drainage is occurring. Any agreements shall be made with the consent of any lessee affected by such agreement. If the Federal lands or interests are available for lease, these lands or interests, may be offered in accordance with 43 CFR 3120.

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effective date: the date the lease or assignment becomes effective; typically for a lease, the first day of the month after the issue date, or upon applicant request, the first day of the month of issuance; and, for an assignment, the first day of the month after proper filing of all required documents.

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enviromental assessment: under NEPA, a document of the analysis as to whether a proposed project will have a significant impact on the human enviroment, analysis of all possible alternatives, and whether an environmental impact statement will be required.

enviromental impact statement: under NEPA, a published document that presents for the decisionmaker a proposed project, or action, significant issues, impacts on the human environment, alternatives, mitigations, and responses to comments from the public.

excepted acreage: acreage not accountable under the Mineral Leasing Act limitations. This is acreage committed to an approved or prescribed unit or cooperative agreement; leases subject to operating, drilling, or development contract. Leases within the National Petroleum Reserve in Alaska (NPR-A) issued under the Appropriations Act of 1981 are all considered excepted acreage.

executive order: a document issued by the President of the United States pursuant to statutory authority and inherent powers, published in the Federal Register. In reference to the BLM, executive orders may affect the disposal of lands and/or resources from the operation of some or all the public land and/or mineral laws. Public land orders are now utilized to perform this function.

expansion: enlargement of the participating area of a unit.

expiration: the lapsing of a lease at the end of its primary or extended term.

extended by production: a lease extended so long as oil or gas is produced in paying quantities. Not applicable to right-of-way leases. For 20-year leases or renewals thereof, see Section VIII, H-3107-1.

exploration bond: An acceptable surety or personal bond in the amount of at least \$5,000 filed simultaneously with a notice of intent to conduct geophysical exploration or, in Alaska, an application for a permit. The bond must meet the requirements set forth in 43 CFR 3104. A statewide bond in the amount of \$25,000 covering all oil and gas operations in the same State or a nationwide bond in the amount of \$50,000 covering all oil and gas exploration operations in the Nation.

extension: additional time on a lease beyond the primary term. There are a number of conditions under which an extension can be granted: drilling, production (referred to as lease continuation), formation or elimination of a cooperative unit or plan, segregation by assignment, reinstatement, and renewal. See 43 CFR 3107.

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favorable petroleum geological province: a total province encompassing many possible specific structures or traps designated on the basis of either direct or indirect evidence that does not necessarily mean the past or present existence of a producing or producible well. Effective date of FPGP designation is the date the BLM comprehensively determines, as a result of new discoveries or an analysis of new data, that exploration of the province has high probability for discovery of oil and/or gas. Applicable only to Alaska, pursuant to section 1008 of the Alaska National Interest Lands Conservation Act (ANILCA).

finding of no significant impact (FONSI): a documented summary conclusion when the environmental review under the provision of NEPA reflects no significant impacts or when a project is altered so as to eliminate any significant adverse impacts.

fluid minerals: for the purposes of this Handbook, fluid minerals consist of gas and oil as defined in 43 CFR 3000.0-5.

fractional undivided interest: a proportional interest in a Federal oil and gas mineral estate. See lease interest.

future mineral interest: a whole or fractional interest in all or certain minerals acquired by the United States pursuant to a conveyance under which the grantor retained the mineral interest for a specified period of time, e.g., United States interest is a future interest until such reservation terminates, allowing title to vest in the United States.

-G-

gas: any fluid, either combustible or noncombustible, which is produced in a natural state from the earth and which maintains a gaseous or rarefied state at ordinary temperatures and pressure conditions.

-I-

issue date: date lease is signed by Authorized Officer.

Interior Board of Land Appeals: final administrative entity for reviewing appeals within the Department of the Interior from a BLM action. Agency appeal rights must be exhausted prior to seeking of judicial review. See 43 CFR, Part 4, Subparts B and D.

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joinder: participation in the development and operation of lands in a lease under the terms and provision of a approved unit and unit operating agreement.

- a. unit joinder - a document whereby the holder of an interest(s) in an oil and gas lease(s) agrees to the terms of a unit agreement and, normally in the case of a holder of record title or operating rights, commonly called the working interest owners, the terms of the applicable unit operating agreement for his interest(s). Joinders are normally filed by the unit operator in the process of approval of the unit agreement by the Authorized Officer and are accepted/approved concurrently with the effective date of the unit agreement, but are effective on the date of filing for Federal leases in the last month of the lease term for purposes of lease extension, such as diligent drilling and production.
- b. late (unit) joinder - a unit joinder, to which a specified percentage of the applicable working interest owners consent, filed with and/or approved/accepted by the Authorized Officer subsequent to the approval of the unit agreement. Normally, a late joinder is considered effective the first of the month following the filing of the necessary documents with the Authorized Officer, or after issuance of a new lease.

joint tenants: a form of concurrent ownership which involves unity of interest, title, time, and possession. Joint tenants must have the same interest accruing under the same conveyance, commencing at the same time, and held under the same undivided possession.

-K-

known geological structure: a geological structure (defined or undefined) in which an accumulation of oil and gas has been discovered by drilling and determined to be productive. The boundary limits include all acreage presumed to be productive. The effective date of a KGS is the date the BLM comprehensively determines the existence of a KGS. This determination occurs after all necessary information, e.g., mechanical logs, electric logs, well histories, well completions, etc., have been correlated and a final geological report has been completed and approved.

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lease: a contract in legal form that provides for the right to develop and produce oil and gas resources for a specific period of time under certain agreed upon terms and conditions.

- a. lease commitment - the process by which an oil and gas lease becomes part of a unit agreement; requires unit joinder acceptance/approval by the Authorized Officer for all the record title holders and operating rights holders in the lease (so far as any leased lands within the unit area).
- b. lease committed in part - a lease commitment to a unit agreement of a Federal oil and gas lease, which includes land both within the unit area and outside the unit area. A fully committed Federal lease in such a status will be segregated into two leases and the lease outside the unit area entitled to a 2-year extension from the effective date of commitment (if not already in a longer term).
- c. partially committed lease - an oil or gas lease in which one or some, but not all, working interest owners have committed their interest in the lease to a unit agreement. Such a lease becomes fully committed upon the approval/acceptance of unit joinders from all previously uncommitted lease working interest owners.

Note: The terms "committed in part" and "partially committed" are frequently confused, and BLM employees discussing these terms need to ensure that all parties to the discussion use and understand which situation is involved to avoid misunderstandings. "Lease committed in part" is normally used to describe leases where an effective unit joinder requires the BLM to segregate the lease; once the lease is segregated, the lease embracing the lands in the unit area is then fully committed. "Partially committed" is normally used by personnel responsible for supervision of unit agreements to describe leases (which could later become committed in part) where subsequent late joinders could result in effective lease commitment.

lease amendment: a modification in the terms or conditions, land description, rental, royalty, etc., of a lease after lease issuance. The lessee has the right to appeal a decision issuing an amendment to a lease.

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lease interest: a term sometimes used in lease instruments executed at a time the minerals are subject to a lease, often conveying a given fraction or percentage of the interests arising under the existing lease. Undivided lease interest is a portion of interest in all or a portion of the lands in the lease. Undivided lease interests do not create a separate lease case file. Divided interest is a partial assignment whereby all of an assignor's record title interest to a portion of the land in a lease creates a separate new lease with a new serial number.

leasable mineral: oil, gas, sodium, potassium, phosphate, coal, oil shale, tar sands, asphaltic materials, and, in Louisiana and New Mexico, sulphur, and all minerals on the Outer Continental Shelf in acquired lands. See 43 CFR 3100.0-3

legal description: the correct manner, using either the rectangular survey system or metes and bonds, to systematically delineate lands in a lease. The survey system includes designation of the principal meridian, township, range, section, and aliquot parts or lots. A metes and bounds description should also include meridian, township, range and section, whenever possible, for at least the point of beginning of the description.

legal subdivision: generally, a subdivision of a township, e.g., a section, quarter section, lot. (See also aliquot part, regular subdivision, and smallest legal subdivision.)

lessee: the holder of a lease.

lessee bond: a general lease and drilling bond in the amount of not less than \$10,000 conditioned upon compliance with all the terms and conditions of the lease, or \$5,000 for leases issued prior to 1960.

lessor: the grantor of a lease; the United States for Federal leases.

lot: subdivision of a section which is not described as an aliquot part of the section but is designated by a number; e.g., lot 2. The acreage of a lot varies and may be more or less than a regular subdivision.

-M-

metes and bounds: the boundary lines or perimeters of land established by courses and distances from a beginning point to an end point.

mineral reservation: a provision in a patent, deed, or other document of land conveyance which retains in the grantor the right to all or certain minerals in the land, or reservation of fractional interest on all or certain minerals, in perpetuity or for a specified period of time.

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National Petroleum Reserve in Alaska-wide bond: a bond in an amount sufficient for NPR-A-wide coverage of a lessee's oil and gas interests under the Department of the Interior Appropriations Act, FY 1981. Must be separate coverage from any other nationwide or statewide bond required under the Mineral Leasing Act or Mineral Leasing Act for Acquired Lands.

nationwide bond: a bond in an amount sufficient for nationwide coverage of a lessee's oil and gas interests under the Mineral Leasing Act and the Mineral Leasing Act for Acquired Lands in lieu of a general lease and drilling bond, operator's bond, or statewide bonds. See 43 CFR 3104.3(b).

navigable waters: all tidal waters up to the ordinary mean high-tide lines and all nontidal waters, such as rivers, streams and lakes, that afford a channel for useful commerce up to the mean high-water line. If it is determined that a stream, lake, or river was navigable at the time the State entered the Union, the State has jurisdiction and the lands underlying such waters are not subject to leasing by the Federal Government.

noncompetitive lease: an oil and gas lease which is issued to the first qualified applicant for an over-the-counter filing, or as a result of a simultaneous filing for oil and gas. The lease lands must be outside a KGS or FPGP.

nonnavigable waters: rivers, streams, or bodies of water not tidally affected and not subject to useful commerce or found to be navigable by the appropriate courts. If it is determined that waters were nonnavigable at the time the State entered the Union, ownership of the abutting lands extends to the middle of the stream, lake, or river. If the United States owns the upland oil and gas rights, leasing may be authorized for such riparian waters.

notice: communication of an official action to all interested parties by certified or registered mail, posting in the State Office Public Room, personal service, or by publication in the Federal Register.

notice to lessee (NTL): a written notice issued by the Authorized Officer giving instructions on specific items implementing the regulations under 43 CFR 3160 and operating orders.

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obligee: the party to whom a bond is given (normally used only in the context of personal bonds).

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obligor: the party furnishing a personal bond, who would be considered the principal of a surety bond.

offer: a lease offer form completed by the offeror for an over-the-counter filing and/or the simultaneous offer lease form signed and returned by the successful applicant after the random selection drawing, Form 3100-11.

oil: oil means all nongaseous hydrocarbon substances other than those substances leasable as coal, oil shale, or gilsonite (including all vein-type solid hydrocarbons).

omitted islands: islands not identified in the official survey for a particular section or fractional section. Regulations pertaining to conveyance of title to such lands are set forth under 43 CFR 2547 and 43 CFR 2742.

operator: the person who has control or management of operations on a lease or portion thereof. The operator may be the lessee, or holder of rights acquired by an approved assignment of the operating rights.

operating agreement: written documentation between parties of an operating right. Typically one of the parties is designated as the operator, and the agreement contains detailed provisions for the drilling of a well(s), the sharing of expenses, and accounting methods.

operating order: formal numbered oil and gas orders issued by the Director, implementing the regulations under 43 CFR 3160.

operating rights/working interest: the interest or contractual obligation created out of a lease (such as a sublease) authorizing the holder of that right to enter the leased lands to conduct drilling and related operations, including production, which may include as consideration a share in revenues therefrom. Operating rights may or may not be transferred through an operating agreement, however, transfer of operating rights on Federal leases must be filed and approved on the official assignment form.

operators bond: a bond in the amount of not less than \$10,000 conditioned upon compliance with the lease terms.

option: a right to acquire any interest in an oil and gas lease within specific or reasonable time in the future, subject to acreage restrictions.

overriding royalty: a royalty paid to someone by a record title holder in addition to, or over, the royalty paid to the United States; also, an interest in the lease providing for no control over the operations of the lease, only revenue from lease production.

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over-the-counter: lease issued under the provision of 43 CFR 3111, and generally, the lands have never been leased previously or have been offered under 43 CFR 3112 and have received no applications.

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parcel: the name given to an area of land made available for competitive or noncompetitive leasing.

partial assignment: see assignment.

partial undivided interest assignment: see assignment.

participating area: that part of a unit area which is considered reasonably proven to be productive in paying quantities or which is necessary for unit operations and to which production is allocated in the manner prescribed in the unit agreement.

participating acreage: that part of a unit area to which production is allocated in the manner described in a unit agreement.

party in interest: a party who is, or will be, vested with any legal or equitable rights under a lease. No one is a sole party in interest with respect to an application, offer, or lease in which any other party has an interest.

personal bond: a bond in the amount of \$10,000 or more furnished by the principal in the form of a guaranteed remittance, cash, cashier check, certified check, or negotiable Treasury bonds of the United States, in lieu of a corporate surety bond. Treasury bonds require power of attorney to the Secretary in case of default in performance of the terms and conditions of the lease.

pooling: the bringing together of separately owned (or separate interests in) small tracts sufficient for the granting of a well permit under applicable spacing rules. The process may be voluntary or may be forced/compulsory, whereby Federal oil and gas lessees and other lessees within a specific geological formation are required to pool development operations under a State-forced pool order. The object of pooling is to prevent drilling of unnecessary and uneconomic wells.

precedent: a decision issued by a higher authority which is to be followed in subsequent situations involving identical facts, laws, and regulations.

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primary term: the lease term set by statute: competitive lease, 5 years; noncompetitive lease, 10 years; and NPR-A up to 10 years. For leases subject to section 4(d) of the Act prior to the revision of 1960, 30 U.S.C. 226-1 (d), primary term means all periods of the life of the lease prior to its extension by reason of production of oil and gas in paying quantities.

principal: a party liable for an obligation for whom a surety has become bound for the performance of that obligation.

proper BLM office: the Bureau office having jurisdiction over the lands, subject to the special regulations where the term is used. See 43 CFR 3000.0-5(f).

proprietary information: information submitted to the United States Government in compliance with Government information needs that is not to be distributed to the public because such disclosure would do substantial harm to the competitive position of the outside source from which it was obtained, and would inhibit the Government's ability to obtain this type of information in the future resulting in a substantial detrimental effect on a Government program.

protest: a written objection to a proposed or completed action, e.g., issuance of a lease.

public domain: lands or interests in lands which never left the ownership of the United States, lands which were obtained by the United States in exchange for public lands or for timber on such lands, and lands which have reverted to the ownership of the United States through operation of the public land laws.

public land order: an order affecting, modifying, or cancelling a withdrawal or reservation or public land.

public lands: (a) as defined under the Federal Land Policy and Management Act of 1976, public lands means any land and interest in land owned by the United States within the several States and administered by the Secretary of the Interior through the BLM, without regard to how the United States acquired ownership, except:

1. Lands located on the Outer Continental Shelf; and
2. Lands held for the benefit of Indians, Aleuts, and Eskimos.

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public lands: (b) as defined in 43 CFR 3045, public lands means any lands, the surface of which is owned by the United States within the several States and administered by the Secretary of the Interior through BLM, without regard to how the United States acquired ownership, except:

1. Lands located on the Outer Continental Shelf; and
2. Lands held for the benefit of Indians, Aleuts, and Eskimos.

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record of decision: upon a decision being made on an action for which a final environmental impact statement has been prepared, concise record of such decision, including mitigating measures.

record title: primary ownership of an interest in an oil and gas lease that includes the obligation to pay rent, and the rights to assign and relinquish the lease. Overriding royalty and operating rights are severable from record title interests.

rectangular system of survey: a system of cadastral surveys of the original public domain, by which lands are subdivided into townships, ranges, sections, and section subdivisions.

regular subdivision: subdivision of a section which is an aliquot part of acres; e.g., 1/2 section of 320 acres, 1/4 section of 160 acres, and 1/4 1/4 section of 40 acres.

reinstatement: restoring a terminated oil and gas lease to its former status and/or reinstating a conclusively abandoned unpatented oil placer mining claim which can be converted to an oil and gas lease. See 43 CFR 3108.

reliction: the subtraction of land from a fixed land base caused by the gradual change in water course or shoreline over a long period of time. Reliction usually involves a change in property rights. See accretion and avulsion.

relinquishment: the voluntary act of giving up all rights, title, and any interests in an oil and gas lease through declaration (formal legal document, letter, etc.).

restoration: a revocation of a withdrawal which also affects the opening of the public lands in the withdrawal.

rental: remuneration for the right to hold a Federal oil and gas lease. Payment is based on the known total acreage, or if not known, then on the basis of 40 acres of each smallest legal subdivision. Payment is usually due on an annual basis on or before the anniversary date.

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reversed: IBLA or appeals court disagreement with lower decision.

riparian rights: rights determined by the ownership of lands on the banks of a water body.

royalty: payment, in money or kind, of a stated share of production from mineral deposits. Royalty may be an established minimum, on a sliding scale or step scale. A step scale royalty rate increases by steps as the average production increases, e.g., 12 1/2 percent for the first 20 barrels per well per day, 13 percent for the next 30 barrels, etc. A sliding scale royalty is based on average production and applies to all production.

-S-

Secretarial order: a document issued by the Secretary of the Interior pursuant to Department and Secretarial powers affecting the management of public lands by Departmental offices and bureaus.

service of notice: the act of giving legal notice to one whose rights could be adversely affected. Service can be accomplished through certified or registered mail, personal delivery, or, under special conditions, by legal publication.

set aside and remanded: IBLA or appeals court returns to BLM or lower court for further consideration, or reverses and vacates the decision.

shut-in well: a producing well that has been closed down temporarily for repairs, cleaning out, building up pressure, lack of a market, etc., but not permanently plugged with cement and abandoned.

simultaneous filing period: the specified period when lease applications are delivered to and received by the BLM Wyoming State Office for a scheduled simultaneous drawing.

Note: Also see 43 CFR 1821.2-3 for determination of priority for other simultaneously received filings. The staged openings to oil and gas leasing of lands in Alaska, and any other over-the-counter offers received at the same time, are processed simultaneously.

simultaneous oil and gas (SIMO/SOG) application: a filing on parcel(s) of specified lands which have been previously leased on a form approved by the Director.

six-mile rule: all portions of an offer must be within a 6-mile square or six surveyed sections in length or width. See acquired lands exception 43 CFR 3110.1-3(b).

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smallest legal subdivision: generally, a 1/4 1/4 section, or a lot which may contain more or less than 40 acres.

Special Tar Sand Area: Special Tar Sand Area means an area designated by the Department of the Interior's Orders of November 20, 1980 (45 FR 6800), and January 21, 1981 (46 FR 6077), and referred to in those orders as Designated Tar Sand Areas, as containing substantial deposits of tar and sand. The Designated Tar Sand Areas lie totally within the State of Utah and may be leased only under the provisions of 43 CFR 3140.

split-estate: lands where the owner of the mineral rights and the surface owner are not the same party in interest. The most common split-estate is Federal ownership of mineral rights and other interest ownership of the surface. Where such a condition occurs, the Federal Government can lease the oil and gas rights without surface owner consent.

spudding in: the first boring of the hole in the drilling of an oil well; may, under some circumstances, be expanded to include commencement of operations for drilling. Spudding a well on a lease is normally not sufficient to extend the lease term for diligent drilling over the expiration date.

statewide bond: a bond in the minimum amount of \$25,000, in lieu of a general lease and drilling bond or operator's bond, to cover all leases or operating rights for oil and gas interests within only one State.

stipulations: additional specific terms and conditions that change the manner in which operation may be conducted on a lease, or modify the lease rights granted.

sublease: a reversionary interest/right of reentry distinguishes a sublease from an assignment of a lease interest; if the lessee parts with the entire interest in the lease to a third party, it constitutes an assignment and not a subletting.

surety: a corporation which is legally responsible for the debt, default, or delinquency of another (principal). A Federal surety must hold a certificate of authority as acceptable to the Department of the Treasury to give bonds to the United States.

surface management agency: any agency outside of the Department of the Interior with jurisdiction over the surface overlaying federally owned minerals.

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termination: lapsing of a nonproducing oil and gas lease for failure to timely pay rentals when due on or before the anniversary date.

termination of the period of liability: the release of the surety from the responsibility for the debt, default, or delinquency of the principal; done only upon a determination that no bond is required or that a satisfactory replacement bond has been accepted.

top filing: offers of lower priority, by date, made on the same described lands. The first perfected offer by date of priority receipt is accepted, all else being regular.

trespass: any use or occupancy of the lands or resources of the United States without authority.

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undivided interest: see lease interest.

unit: an area of land to which committed parties with interests in the land are bound to share the oil and gas produced on a specified basis. Those having the right to conduct drilling operations on the land are bound to share investment and operating costs on a specified basis. The BLM determines and approves this area for administrative purposes. A unit may be either expanded or contracted in size on the recommendation of the operator with the Authorized Officer's approval. There are three types of units:

- a. exploratory unit - a unit that has no preexisting production from the unitized formation(s).
- b. producing unit - a unit that has production from the unitized formation(s). An exploratory unit becomes a producing unit upon discovery of a unitized substance
- c. secondary recovery unit - a producing unit in which the primary reserves have been or nearly been depleted and in which the operator intends to use some (secondary) method to increase recovery, that is, water injection, gas injection, etc.

unit area: the area described in the unit agreement as constituting the land logically subject to exploration and/or development under the agreement.

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unit agreement: an agreement or plan of development and operation, generally a written document for the recovery of oil and gas within a unit. The unit agreement consolidates separate leases into a single consolidated unit without regard to separate ownership rights and for the purposes of operating and allocating costs and benefits on a basis as defined in the agreement or plan.

unit operator: the person authorized under the unit agreement approved by the BLM to conduct operations within the unit.

unit operator's bond: a bond furnished by a unit operator in the amount requested. If the unit operator holds all of the working interests in the leases committed to the unit and has an acceptable statewide or nationwide bond on file, additional coverage may not be required.

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withdrawal: lands designated by the Executive Branch or Congress as not available for settlement, location, sale, or entry under the public lands laws and, occasionally, the mineral leasing laws.

withdrawal (offer): written, signed request from an applicant to remove a lease offer from consideration. The withdrawal must be received by the proper BLM office before the lease, amendment, etc., is signed on behalf of the United States. Simultaneous oil and gas applications cannot be withdrawn. See 43 CFR 3110.2.